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12 *Holders of Trade Claims*

13 **UNITED STATES BANKRUPTCY COURT**

14 **NORTHERN DISTRICT OF CALIFORNIA**

15 **SAN FRANCISCO DIVISION**

16 **In re:**

17 **PG&E CORPORATION**

18 **-and-**

19 **PACIFIC GAS AND ELECTRIC**  
20 **COMPANY,**

21 **Debtors.**

- 22 ☐ Affects PG&E Corporation  
23 ☐ Affects Pacific Gas and Electric  
24 Company  
25 ☒ Affects both Debtors

26 *\* All papers shall be filed in the Lead*  
27 *Case, No. 19-30088 (DM).*

Case No. 19-30088 (DM)

Chapter 11

(Lead Case)

(Jointly Administered)

**NOTICE OF APPEAL AND STATEMENT  
OF ELECTION TO HAVE APPEAL  
HEARD BY DISTRICT COURT**

1 NOTICE IS HEREBY GIVEN that the Ad Hoc Committee of Holders of Trade Claims  
2 (the "Trade Committee") hereby appeals from (i) the *Interlocutory Order Regarding Postpetition*  
3 *Interest* [D.I. 5669] entered on February 6, 2020 (the "PPI Order") and (ii) the related  
4 *Memorandum Decision Regarding Postpetition Interest* entered on December 30, 2019 [D.I. 5226]  
5 (the "PPI Memorandum"). Copies of the foregoing are attached hereto as **Exhibit A** and **Exhibit**  
6 **B**, respectively. Pursuant to 28 U.S.C. § 158(a)(1), the PPI Order and PPI Memorandum are  
7 appealable as of right. Out of an abundance of caution, however, the Trade Committee has filed,  
8 concurrently with this notice of appeal, a motion pursuant to 28 U.S.C. § 158(a)(3) for leave to  
9 appeal the PPI Order and PPI Memorandum.

10 Pursuant to 28 U.S.C. § 158(c), the Trade Committee elects to have the appeal heard by  
11 the United States District Court for the Northern District of California rather than by the  
12 Bankruptcy Appellate Panel for the Ninth Circuit.

13 The names of all parties to the PPI Order and PPI Memorandum other than the Trade  
14 Committee, and the names, addresses, and telephone numbers of their respective attorneys, are:

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Dated: February 20, 2020

**GIBSON, DUNN & CRUTCHER LLP**

By: /s/ Michael S. Neumeister  
David M. Feldman (*pro hac vice*)  
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Michelle Choi

*Attorneys for the Ad Hoc Committee of  
Holders of Trade Claims*

# EXHIBIT A



Signed and Filed: February 6, 2020

*Dennis Montali*

DENNIS MONTALI  
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA

In re: ) Bankruptcy Case  
PG&E CORPORATION, ) No. 19-30088-DM  
- and - ) Chapter 11  
PACIFIC GAS AND ELECTRIC COMPANY, ) Jointly Administered  
Debtors. ) Date: February 4, 2020  
Time: 10:00 AM  
Place: Courtroom 17  
450 Golden Gate Ave.  
16th Floor  
San Francisco, CA  
☐ Affects PG&E Corporation  
☐ Affects Pacific Gas and Electric Company  
☒ Affects both Debtors  
*\* All papers shall be filed in the Lead Case, No. 19-30088 (DM).*

**INTERLOCUTORY ORDER REGARDING POSTPETITION INTEREST**

On December 30, 2019, the court issued a Memorandum Decision Regarding Postpetition Interest (Dkt. No. 5226). For reasons stated on p. 17 of the memorandum, the court deferred issuing an appealable order at that time. Since then, the disputed and somewhat related issue described by all parties as the Make-Whole issue has been tentatively resolved without a decision by the court. For that reason, the court believes an



1 order on the postpetition interest issue is appropriate at this  
2 time.

3 Parties adverse to the Debtors on the postpetition interest  
4 issue have disagreed on what the court should do now. One  
5 group, the Ad Hoc Committee of Holders of Trade Claims, wants a  
6 certification that the court's decision and ensuing order is  
7 final under Fed. R. Civ. P. 54(b), incorporated via Fed. R.  
8 Bank. P 7054 and a direct certification of such an order or an  
9 interlocutory order to the court of appeals under 28 U.S.C. §  
10 158(d)(2). The other group, the Ad Hoc Committee of Senior  
11 Unsecured Noteholders, wants the court to defer any action until  
12 it confirms Debtors' Plan of Reorganization under 11 U.S.C §  
13 1141, thus making the underlying decision on postpetition  
14 interest final for all purposes.

15 The court has considered the arguments of both sides, and  
16 the somewhat neutral position of the Debtors at a hearing on  
17 February 4, 2020. Under the circumstances, the court decides  
18 not to adopt either sides' position and to leave the question of  
19 dealing with an interlocutory order for another court if there  
20 is an appeal.

21 Accordingly, and as an interlocutory order, the court  
22 concludes that the Debtors are correct, that *In re Cardelucci*,  
23 285 F.3d 1231 (9th Cir. 2002) controls and that the  
24 Federal Interest Rate applies to the postpetition treatment of  
25 unsecured creditors under any Chapter 11 Plan of Reorganization  
26 proposed by Debtors.

27 **\*\*END OF INTERLOCUTORY ORDER\*\***  
28

# EXHIBIT B

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7 UNITED STATES BANKRUPTCY COURT  
8 NORTHERN DISTRICT OF CALIFORNIA  
9 In re: ) Bankruptcy Case  
10 PG&E CORPORATION, ) No. 19-30088-DM  
11 - and - ) Chapter 11  
12 ) Jointly Administered  
13 PACIFIC GAS AND ELECTRIC COMPANY, )  
14 Debtors. ) Date: December 11, 2019  
15 ) Time: 10:00 AM  
16 ☐ Affects PG&E Corporation ) Place: Courtroom 17  
17 ☐ Affects Pacific Gas and ) 450 Golden Gate Ave.  
18 Electric Company ) 16th Floor  
19 ☒ Affects both Debtors ) San Francisco, CA  
20  
21 \* All papers shall be filed in )  
22 the Lead Case, No. 19-30088 (DM). )  
23  
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MEMORANDUM DECISION REGARDING POSTPETITION INTEREST

I. INTRODUCTION

On December 11, 2019, the court heard oral argument on the discrete legal issue of the applicable postpetition interest to be paid to four classes of allowed unsecured and unimpaired claims, under any chapter 11 reorganization plan for solvent debtors PG&E Corporation and Pacific Gas and Electric Company ("Debtors"). The Debtors, joined by certain Shareholders, argue that creditors in all four classes should receive interest

1 calculated pursuant to 28 U.S.C. § 1961(a) (the "Federal  
2 Interest Rate") in effect as of the petition date (January 29,  
3 2019) these chapter 11 cases. That rate for these jointly  
4 administered cases is 2.59 percent. Debtors contend that use of  
5 the Federal Interest Rate is consistent with *In re Cardelucci*,  
6 285 F.3d 1231 (9th Cir. 2002) ("*Cardelucci*"), which holds that  
7 unsecured creditors in a solvent case should receive  
8 postpetition interest calculated at the Federal Interest Rate.

9 Several parties, including the Official Committee of  
10 Unsecured Creditors, the Ad Hoc Committee of Senior Unsecured  
11 Noteholders, the Ad Hoc Committee of Holders of Trade Claims and  
12 others (collectively "Unsecured Creditors") oppose the motion.  
13 They urge application of various rates, generally determined by  
14 applicable contracts between the Debtors and the respective  
15 claimants, judgment rates or some other rate.

16 For the following reasons, the court concludes that the  
17 Debtors are correct, that *Cardelucci* controls and that the  
18 Federal Interest Rate applies to any Plan.

## 19 II. APPLICABLE LAW

20 Statutory construction of the Bankruptcy Code<sup>1</sup> is "a  
21 holistic endeavor" requiring consideration of the entire  
22 statutory scheme. *United Sav. Ass'n of Texas v. Timbers of*  
23 *Inwood Forest Assocs., Ltd.*, 484 U.S. 365, 371, 108 S.Ct. 626,  
24 98 L.Ed.2d 740 (1988), cited by *In re BCE West, L.P.*, 319 F.3d  
25 1166, 1171 (9th Cir. 2003).

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27 <sup>1</sup> Unless otherwise indicated, all chapter and section  
28 references are to the Bankruptcy Code, 11 U.S.C. §§ 101-1532.

1 In *Timbers*, the Supreme Court utilized this holistic  
2 approach to analyze five seemingly unconnected provisions of  
3 Title 11 in determining that oversecured creditors are entitled  
4 to receive postpetition interest. Applying a similar holistic  
5 approach, this court has looked to the structure of the  
6 Bankruptcy Code and the purposes behind its many parts to  
7 conclude while unsecured creditors are entitled to postpetition  
8 interest in a solvent estate, the Bankruptcy Code requires  
9 application of the Federal Interest Rate to those claims and  
10 that such an application does not impair these claims. Even if  
11 *Cardelucci* were not binding, the court would reach the same  
12 conclusion.

13 Chapter 5, subchapter I ("Creditors and Claims") of the  
14 Bankruptcy Code sets forth the guiding principles for filing and  
15 allowance of claims or interests, administrative expenses,  
16 determination of secured status and other provisions not  
17 important to the current analysis. In contrast, the court must  
18 apply the critical provisions of chapter 11, subchapter II ("The  
19 Plan"). Section 1123(a) states what a plan "shall" do or  
20 include. Section 1123(b) states what a plan "may" do or  
21 include. As a definitional matter, section 1124 explains that a  
22 class of claims or interest is impaired unless the plan leaves  
23 certain legal, equitable and contractual rights unaltered (§  
24 1124(1)), or cures, restates, or compensates the rights of class  
25 or interest members (§ 1124(2)(A)-(E)).

26 The structure of the Bankruptcy Code and the applicability  
27 of these definitional and empowering sections, therefore,  
28 dictate rights that are fixed as of the petition date and what

1 rules apply after that. Nothing suggests that, absent specific  
2 rules, provisions dealing with prepetition entitlements carry  
3 over postpetition. For example, section 502(b)(2) clearly  
4 provides that a claim for "unmatured interest"<sup>2</sup> may not be  
5 allowed. An exception to the rule is found in section 506(b)  
6 that permits accrued interest to be allowed as long as the  
7 security is "greater than the amount of such claim."

8 The Unsecured Creditors' argument that somehow the  
9 definitions and remedies found in section 1124 override the  
10 plain impact of section 502(b)(2) is simply not persuasive and  
11 would require the court to ignore not only the plain words of  
12 the statute but also the holistic notion of treating them as  
13 part of a combined comprehensive instrument of definitions,  
14 applicability and implementation. Section 1124(1) describes  
15 what claims are unimpaired and section 1124(2) describes what is  
16 necessary for a plan to "unimpair" impaired claims. In  
17 contrast, chapter 5 ("Creditors and Claims") dictates how claims  
18 and interests are dealt with in the substantive chapters: 7, 11,  
19 12 and 13. The subparts of section 502(b) list nine specific  
20 rules for affecting allowed claims.

21 An example not directly related to this case proves the  
22 point. Section 502(b)(4) disallows the claim of an insider or  
23 an attorney to the extent it exceeds the reasonable value of the  
24 services. Unsecured Creditors could not persuade the court or  
25 even make a convincing argument that somehow an insider or an  
26 attorney whose asserted claim exceeds a reasonable value could

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27 <sup>2</sup> No one has suggested that "unmatured interest" means  
28 anything other than "postpetition interest."

1 take refuge in section 1124((1))'s definitional provision and  
2 escape the clear intention of Congress to limit unreasonable  
3 claims for services in the same manner it has limited  
4 postpetition unsecured claims for unmatured interest. For the  
5 same reason, underlying non-bankruptcy law must give way to  
6 contrary provisions of the Bankruptcy Code. *Travelers Cas. &*  
7 *Sur. Co. of Am. v. Pac. Gas & Elec. Co.*, 549 U.S. 443, 444  
8 (2007) (quoting *Raleigh v. Illinois Dept. of Revenue*, 530 U.S.  
9 15, 20 (2000)).

10 With that background, the court turns to the applicability  
11 of *Cardelucci* and its clear message.

12 III. THIS COURT'S RESPONSIBILITY UNDER STARE DECISIS

13 This court is bound by the Ninth Circuit's *Cardelucci*  
14 decision unless it can be distinguished or overruled:

15 Courts are bound by the decisions of higher courts  
16 under the principle of *stare decisis*. The doctrine  
17 derives from the maxim of the common law, "Stare  
18 decisis et non quieta movere," which literally means,  
19 "Let stand what is decided, and do not disturb what is  
20 settled." See 1B Jeremy C. Moore et al., *Moore's*  
Federal Practice ¶ 0.402[1] (2d ed. 1992). Moore's  
treatise describes the rule as follows:

21 The rule, as developed in the English law,  
22 is that a decision on an issue of law  
23 embodied in a final judgment is binding on  
24 the court that decided it and such other  
courts as owe obedience to its decisions, in  
all future cases. *Id.*

25 Under this principle a decision of a circuit court of  
26 appeal is binding on all lower courts in the circuit,  
27 including district courts and bankruptcy courts  
(absent a contrary United States Supreme Court  
28 decision). *Zuniga v. United Can Co.*, 812 F.2d 443, 450  
(9th Cir. 1987).

1 This is true even if there is a split of opinion  
2 between the controlling circuit and another circuit  
3 court of appeals, and the lower court believes that  
4 the controlling circuit court is in error. *Zuniga*,  
812 F.2d at 450; *Hasbrouck v. Texaco, Inc.*, 663 F.2d  
930, 933 (9th Cir. 1981)[.]

5 In re Globe Illumination Co., 149 B.R. 614, 617 (Bankr. C.D.  
6 Cal. 1993) (multiple internal citations omitted).

7  
8 *Cardelucci* is a published panel opinion by the Court of  
9 Appeals for the Ninth Circuit. It is binding on this court.  
10 *State Farm Fire & Cas. Ins. Co. v. GP West, Inc.*, 2016 WL  
11 3189187, 90 F. Supp.3d 1003, 1018 (D. Haw. 2016) (citation and  
12 internal quotation marks omitted). See *Lair v. Bullock*, 798 F.3d  
13 736, 747 (9th Cir. 2015) ("[W]e are bound by a prior three-judge  
14 panel's published opinions, ....") (citing *Miller v. Gammie*, 335  
15 F.3d 889, 892-93 (9th Cir. 2003) (en banc)).  
16

17 IV. THE HOLDING OF CARDELUCCI

18 In *Cardelucci*, the Ninth Circuit framed the issue before it  
19 as follows:

20 This appeal presents the narrow but important  
21 issue of whether such post-petition interest is  
22 to be calculated using the (federal judgment  
23 rate) or is determined by the parties' contract  
24 or state law.

25 *Cardelucci*, 285 F.3d at 1231.

26 The Ninth Circuit held that in chapter 11 cases involving  
27 solvent debtors, unsecured creditors are entitled to  
28 postpetition interest at the federal judgment rate, not at not



1 at contractual or state statutory rates. *Id.* at 1234. In so  
2 holding, the Ninth Circuit observed that application of the  
3 lower federal judgment rate did not violate an unsecured  
4 creditor's substantive due process rights (*id.* at 1236) and that  
5 utilization of federal judgment rate for all claims was  
6 rationally related to legitimate interests in efficiency,  
7 fairness, predictability, and uniformity within bankruptcy  
8 system. *Id.*

10 While the court pinpointed a "narrow but important  
11 issue," it did not narrow the application of its holding,  
12 which must be applied broadly given the structure of the  
13 Bankruptcy Code and the clear and plain meaning of its  
14 applicable provisions, as noted above.

16 In *Cardelucci*, the debtor and his opponents, holders of a  
17 state court judgment, set aside various differences and thereby  
18 permitted confirmation to proceed subject to a reservation of  
19 rights concerning the applicable postpetition interest rate.<sup>3</sup>  
20 The Ninth Circuit concluded that the reference by Congress to  
21 "the legal rate" in section 726(a)(5) was intentional, in that  
22

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24 <sup>3</sup> While the opinion is silent on the specifics of that  
25 debtor's plan, the opponents' claim was impaired for reasons not  
26 relevant to this analysis. In the present case the Unsecured  
27 Creditors' claims are unimpaired. The Unsecured Creditors put  
28 the cart before the horse when they contend that the application  
of the "fair and equitable" test of section 1129(b) determines  
that their claims are impaired under section 1124.

1 Congress had rejected proposed language of "interest on claims  
2 allowed." *Cardelucci*, 285 F.3d at 1234. The court also  
3 emphasized that a single, easily determined rate for all  
4 postpetition interest ensures equitable treatment of creditors.<sup>4</sup>  
5 Although *Cardelucci* was a chapter 11 case, the reference to  
6 section 726(a)(5) was critical. Without that reference, the  
7 court would be compelled by section 502(b)(2) to allow claims  
8 "except to the extent that . . . (2) such claim is for unmatured  
9 interest."<sup>5</sup> There is no specific provision in chapter 11 that  
10 allows any interest on unsecured claims.<sup>6</sup> Without that  
11 reference, Unsecured Creditors would be left with no allowed  
12 postpetition interest.  
13  
14

15 The rule in the seventeen years since *Cardelucci* is clear:  
16 unsecured creditors of a solvent debtor will be paid the Federal  
17 Interest Rate whether their prepetition contracts call for  
18 higher or lower rates, or applicable state law judgment rates  
19  
20

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21 <sup>4</sup> In this case, given the vast array of creditors' claims, the  
22 equal application of such uniform policy is all the more  
23 compelling.

24 <sup>5</sup> The exception found in section 506(b) for secured claims has  
25 no bearing here.

26 <sup>6</sup> The court rejects the argument by the Ad Hoc Committee of  
27 Holders of Trade Claims that section 103(b) precludes  
28 consideration of section 726(a)(5). *Cardelucci* merely compared  
the chapter 7 outcome (apply the Federal Interest Rate) as part  
of the "best interest" test of Section 1129(a)(9) to compare  
whether creditors do better in chapter 7 or chapter 11.

1 are higher, or there are no other applicable rates to consider.  
2 Nor is that rule limited to impaired claims. *Cardelucci* is  
3 unequivocal and articulates several reasons for broad  
4 application of its holding despite the recognition of the narrow  
5 issue presented:

- 6 1. The use of the term "legal rate" indicates the Congress  
7 intended the single source to be statutory because of the  
8 common use of the term when the Bankruptcy Code was  
9 enacted.
- 10 2. Using the federal rate promotes uniformity within federal  
11 law.
- 12 3. The analogous post-judgment interest entitlement  
13 compensates for being deprived of compensation for the  
14 loss of time between ascertainment of damages and  
15 payment.
- 16 4. Application of a single, easily determined rate ensures  
17 equitable treatment of creditors.
- 18 5. With a uniform rate, no single creditor will be eligible  
19 for a disproportionate share of the remaining assets.

20 *Cardelucci*, 285 F.3d at 1235-1236.

21 The Unsecured Creditors refer to the opinion's "parting  
22 note" to support their cause. The actual conclusion rejects a  
23 substantive due process argument that has not been developed  
24 here for good reasons. To this court, the "parting note" that  
25 dooms their cause is in the penultimate paragraph, and bears  
26 repeating:

27 The Court recognizes that these two interests,  
28 fairness among creditors and administrative  
efficiency, may be of limited relevance in certain  
bankruptcy proceedings. Where there are only a few  
unsecured creditors seeking post-petition interest and  
there are sufficient assets to pay all claims for all

1 interest (sic), there will be no concerns regarding  
2 equity among creditors or practicality. In those  
3 instances, a debtor may receive a windfall from the  
4 application of a lower federal interest rate to an  
5 award of post-petition interest. Nonetheless 'interest  
6 at the legal rate' is a statutory term with a  
7 definitive meaning that cannot shift depending on the  
8 interests invoked by the specific factual  
9 circumstances before the court. See *In re Thompson*, 16  
10 F.3d 576, 581 (4th Cir. 1994).

11 *Cardelucci*, 285 F.3d at 1236.

12 Unsecured Creditors' reliance on older cases invoking the  
13 "absolute priority" rule in defense of postpetition interest at  
14 the contract rate are unavailing. *Consolidated Rock Products*  
15 *Co. v. Du Bois*, 312 U.S. 510 (1941), was decided under the  
16 former Bankruptcy Act and is of questionable viability now that  
17 the Bankruptcy Code includes sections 726(a)(5) and 502(b)(2).  
18 Similarly, *Debentureholders Protective Committee of Continental*  
19 *Inv. Corp. v. Continental Inv. Corp.*, 679 F.2d 264 (1st Cir.  
20 1982), was decided under Chapter X of the former Bankruptcy Act  
21 and thus offers no guidance here.

22 The Ninth Circuit's decision in *L&J Anaheim Associates v.*  
23 *Kawasaki Leasing International, Inc.* (*In re L&J Anaheim*  
24 *Associates*), 995 F.2d 940 (9th Cir. 1993) does not change the  
25 outcome. *L&J Anaheim* was decided only a few months after  
26 *Cardelucci* and did not cite it, as it addressed an altogether  
27 different issue.

28 In *L&J Anaheim*, a secured creditor filed a chapter 11 plan  
that was opposed by the debtor. In order to achieve the  
statutory requirement for at least one impaired class, the  
creditor, Kawasaki, proposed changing its own state law remedies

1 following debtor's breach. It eliminated its right to exercise  
2 various remedies under the California Uniform Commercial Code,  
3 replacing those entitlements under its proposed plan with a  
4 requirement that its collateral and a related lawsuit be sold at  
5 public auction under procedures mandated by the Bankruptcy Code.

6 In determining that Kawasaki's rights were altered, and  
7 thus its claim was impaired, the court stated:

8 At first blush the idea that an improvement in ones'  
9 position as a creditor might constitute 'impairment'  
seems nonsensical."

10 *L & J Anaheim*, 995 F.2d at 942.

11 The court examined the term of art adopted by Congress to  
12 replace language in the prior Bankruptcy Act and concluded that  
13 section 1124 created certainty in determining whether or not a  
14 creditor was impaired. Once again, section 1124 is  
15 definitional, describing improvement in the context of the plan  
16 presented as impairment. The court had no occasion to address  
17 whether, for an impaired class, postpetition interest was even  
18 relevant.

19 Of importance here is that the plan's own language altered  
20 Kawasaki's rights; in the present case, the Bankruptcy Code, and  
21 not the Plan, is what causes Unsecured Creditors to have their  
22 postpetition interest limited to the Federal Judgment Rate. The  
23 Plan is not the culprit.

24 A few months after *Cardelucci*, the Ninth Circuit decided  
25 *Platinum Capital, Inc. v. Sylmar Plaza, L.P. (In re Sylmar*  
26 *Plaza, L.P., 314 F.3d 1070 (9th Cir. 2002)*. There, the court  
27 addressed whether or not a plan proponent had proposed the plan  
28

1 in good faith under section 1129(a)(3) when its sole purpose was  
2 to enable the debtors to cure and reinstate an obligation. At  
3 that time, *Great W. Bank & Trust v. Entz-White Lumber and*  
4 *Supply, Inc. (In re Entz-White Lumber and Supply, Inc.)*, 850  
5 F.2d 1338 (9th Cir. 1988), was good law. Under *Entz-White*, plan  
6 proponents were permitted to cure defaults under former section  
7 1124(3), leaving the objecting creditor not impaired under  
8 section 1124. Perhaps predicting the crucial distinction  
9 between what a plan does and what the Bankruptcy Code does, the  
10 *Sylmar Plaza* court rejected the argument that a plan lacks good  
11 faith when it permits owners of a solvent debtor to avoid paying  
12 postpetition interest at the default interest rate. The fact  
13 that a creditor's contractual rights are adversely affected does  
14 not by itself warrant a bad faith finding. Quoting the  
15 bankruptcy court in *In re PPI Enters. (US), Inc.*, 228 B.R. 339  
16 (Bankr. D. Del. 1998), the court stated:

17 In enacting the Bankruptcy Code, Congress made a  
18 determination that an eligible debtor should have the  
19 opportunity to avail itself of a number of Code  
20 provisions which adversely altered creditors'  
contractual and non bankruptcy rights . . . .

21 The fact that a debtor proposes a plan which it avails  
22 itself of an applicable Code provision does not  
constitute evidence of bad faith.

23 *Sylmar Plaza*, 314 F.3d at 1075 (citations omitted).

24 Cases cited by the *Sylmar Plaza* creditor to support a per  
25 se rule were distinguishable in that neither adopted or approved  
26 such a rule and, moreover, ". . . because none involved an  
27 objection to a plan by an unimpaired creditor." *Id.*

1 At oral argument counsel for one of the Unsecured Creditors  
2 argued that *Cardelucci* has been superseded by *In re New*  
3 *Investments, Inc.*, 840 F.3d 1137 (9th Cir. 2016). That argument  
4 is unavailing. The *New Investments* decision concludes that the  
5 1994 amendments to section 1124 abrogated the holding of *Entz-*  
6 *White* that default interest rates could be eliminated by curing  
7 defaults under a plan. The decision does not even mention  
8 postpetition interest or *Cardelucci* and does not deal with  
9 unimpaired claims under section 1124(1) and thus is of no  
10 bearing on the issue presented or the outcome here.

11 V. IMPAIRED OR UNIMPAIRED CLAIMS ARE TREATED ALIKE

12 Unsecured Creditors attempt in vain to escape *Cardelucci's*  
13 impact by arguing that, unlike the impaired claim there, their  
14 claims will be unimpaired under a plan. The court rejects  
15 Unsecured Creditors' argument.

16 First, *Cardelucci*, in answering the narrow question, drew  
17 no distinction as to whether the rule it announced was confined  
18 only to impaired claims. The clear and unequivocal analysis  
19 based on section 726(b)(5) is obvious: it applies to all  
20 unsecured and undersecured claims in a surplus estate.

21 Second, no plan compels the payment of the Federal Interest  
22 Rate. Rather, the Bankruptcy Code does. A similar analysis was  
23 applied very recently by the Fifth Circuit in *In re Ultra*  
24 *Petroleum Corporation*, \_\_\_ F.3d \_\_\_, 2019 WL 6318074 (November  
25 26, 2019). There, the court contrasted the treatment of  
26 creditors' claims outside of bankruptcy and whether the plan  
27 itself was a source of limitation on their legal, equitable and  
28 contractual rights, or rather the Bankruptcy Code. The court

1 looked to the language of section 1124(1), defining not impaired  
2 when the plan “. . . leaves unaltered [the claimant’s] legal,  
3 equitable and contractual rights.” The court ruled that a claim  
4 is impaired only if the plan itself does the altering, not what  
5 the Bankruptcy Code does.

6 *Ultra Petroleum* agreed with the only other court of appeals  
7 decision to draw the distinction between what a plan might do  
8 and what the Bankruptcy Code does do. *In Solow v. PPI*  
9 *Enterprises (U.S.) Inc. (In re PPI Enterprises (U.S.) Inc.)*, 324  
10 F.3d.197 (3d Cir. 2003) the court upheld confirmation of a plan  
11 notwithstanding a limitation on an objecting landlord’s  
12 statutorily capped damages under section 502(b)(6). It held that  
13 where section 502(b)(6) alters a creditor’s non-bankruptcy  
14 claim, there is no alteration of the claimant’s “legal,  
15 equitable and contractual rights” for purposes of impairment  
16 under section 1124(1). *Id.* at 203.

17 The *PPI Enterprises* court agreed with the bankruptcy  
18 court’s analysis in *In re American Solar King Corp.*, 90 B.R. 808  
19 (Bankr. W.D. Tex. 1988) where the bankruptcy court made the  
20 following very thoughtful observation:

21 A closer inspection of the language employed in  
22 [s]ection 1124(1) reveals ‘impairment by statute to be  
23 an oxymoron.’ Impairment results from what the plan  
24 does, not what the statute does. A plan which ‘leaves  
25 unaltered’ the legal rights of a claimant is one which  
26 by definition, does not impair the creditor. A plan  
27 which leaves a claimant subject to other applicable  
28 provisions of Bankruptcy Code does no more to alter a  
claimant’s legal rights than does a plan which leaves  
a claimant vulnerable to a given state’s usury laws or  
to federal environmental laws. The Bankruptcy Code  
itself is a statute which, like other statutes, helps



1 to define the legal rights of person's, just as surely  
2 as it limits contractual rights. Any alteration of  
3 legal rights is a consequence not of the plan but of  
4 the bankruptcy filing itself.

5 *American Solar*, 90 B.R. at 819-20.

6 The *Ultra Petroleum* court noted that decisions from  
7 bankruptcy courts across the country have reached the same  
8 conclusion, agreeing that impairment results from what a plan  
9 does, not from what a statute does. Its conclusion reinforces  
10 the point:

11 We agree with *PPI*, every reported decision identified  
12 by either party, and Collier's treatise. Where a plan  
13 refuses to pay funds disallowed by the Code, the Code  
14 - not the Plan - is doing the impairing.

15 *Ultra Petroleum*, 2019 WL 6318074 at \*5.

16 Like the creditors in *Ultra Petroleum*, the Unsecured  
17 Creditors' complaint is with Congress and the Bankruptcy Code,  
18 not the drafters of a Plan. The Bankruptcy Code, not the Plan,  
19 limits them to the Federal Interest Rate.<sup>7</sup> The cases cited by  
20 Unsecured Creditors do not apply here, as the rights in those  
21 cases were impaired by the plan and not by operation of law. See  
22 *Acequia, Inc. v. Clinton (In re Acequia)*, 787 F.2d 1352, 1363  
23 (9<sup>th</sup> Cir. 1986) (shareholder voting rights altered by plan); *In*  
24 *re Rexford Properties, LLC*, 558 B.R. 352, 368 (Bankr. C.D. Cal  
25 2016) (creditor's rights regarding ongoing business altered by  
26 plan).

27 There is no point in discussing section 1124(2), as that  
28 subsection is not relevant to the treatment of the four not

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29 <sup>7</sup> For the same reason, creditors who hold contractual claims  
30 calling for interest lower than 2.59% will fare better under the  
31 Plan.

1 impaired classes. Were Debtors to have proposed a treatment of  
2 the Unsecured Creditors' claims that cured, reinstated, or  
3 reversed any acceleration, then the analysis might be helpful.  
4 But because section 1124(1) is the operative section here, that  
5 ends the discussion.

6 Because the Plan leaves the Unsecured Creditors' claims not  
7 impaired, there is also no need to dwell on whether or not "fair  
8 and equitable" principles apply. They do not. Unimpaired  
9 Creditors, when treated as dictated by the Bankruptcy Code, are  
10 not impaired by the Plan. They are conclusively presumed to  
11 have accepted the Plan. Section 1126(f). Section 1129(b) is  
12 not available to them.<sup>8</sup>

#### 13 VI. CONCLUSION

14 As a trial court in the Ninth Circuit, this court is bound  
15 to follow *Cardelucci* unless, as a matter of principled  
16 reasoning, it can be distinguished. No such grounds exist. The  
17 1994 amendments to section 1124 predated *Cardelucci*. Thus,  
18 whether or not *Cardelucci* addressed the issue is not the point.  
19 Its rule is the law of this circuit until altered either by an  
20 *en banc* panel, the United States Supreme Court, legislation or  
21 some other controlling change in the law.

22 Even were *Cardelucci* not controlling, this court would  
23 follow the lead of *PPI* and *Ultra Petroleum* (and the lower court  
24 decisions cited by *Ultra Petroleum*), and reject the contention

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25  
26 <sup>8</sup> For this reason, the court rejects as incorrect the  
27 bankruptcy court's reliance *In re Energy Future Holdings*, 540  
28 B.R. 109 (Bankr. D. Del. 2015) on "equitable principles" to  
permit unsecured creditors in a solvent case to recover a  
contract rate or such other rate as it deemed appropriate.

1 of Objecting Creditors that imposition of the Federal Interest  
2 Rate impairs them. It is the Bankruptcy Code itself, not any  
3 plan provision, that imposes that rate.<sup>9</sup>

4 The court is not concurrently entering an order consistent  
5 with this Memorandum Decision as was the case with its recent  
6 decision in the Inverse Condemnation action (Dkt. No. 4895).  
7 Because of the close relationship between the postpetition  
8 interest question and the issues presented in the forthcoming  
9 Make-Whole dispute, orders disposing of them both at the same  
10 time seems appropriate and efficient. Whether either or both  
11 questions should be certified for direct appeal or to treated as  
12 final for purposes of Fed. R. Bankr. P. 7054, can be visited  
13 later.

14 \*\*\*END OF MEMORANDUM DECISION\*\*\*  
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24  
25 <sup>9</sup> *Ultra Petroleum* remanded the case to the bankruptcy court  
26 to decide the appropriate Make-Whole amounts, the appropriate  
27 postpetition interest rate, and the applicability of the  
28 solvent-debtor exception. If the three judges on the Fifth  
Circuit panel had been members of the Ninth Circuit, there is no  
doubt they would have been bound by *Cardelucci*, thus limiting  
the remand to the Make-Whole issue.